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The Influence of Company Growth, Company Size, Audit Quality, Previous Year's Audit Opinion, and *Leverage on Acceptance of Going Concern* Audit Opinions in Banking Companies Registered on the IDX

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Abstract : This study aims to analyze the factors that affect the going concern audit opinion. The factors used are company growth, firm size, audit quality, audit opinion the previous year, and leverage. The study population were 30 banking companies listed in the Indonesia Stock Exchange since the year 2011-2013. Samples were selected using purposive sampling method. This study uses quantitative methods with logistic regression analysis model. Results of this study prove that: 1). Company growth, firm size, audit quality, and leverage do not affect the acceptance of going concern audit opinions. 2). Audit opinion the previous year affects the acceptance of going concern audit opinion.

Keywords: Company Growth, Firm Size, Audit Quality, Audit Opinion, Leverage.

INTRODUCTION

Every company will definitely report and publish financial reports as a form of accountability to interested parties. These parties are internal and external parties. One of the users of financial reports from external parties is investors. Financial reports are used by investors to assess the performance of business units that will be used as a place to invest.

One of the considerations for determining the investment to be planted by investors when making a decision to invest is an audit opinion on the financial statements obtained from an independent auditor. The auditor has an important role in bridging the interests of investors and the interests of the company as users and providers of financial statements. Company data will be more easily trusted by investors and other users of financial statements if the financial statements reflecting the company's performance and financial condition have received a fair statement from the auditor. In carrying out the audit process, the auditor is required not only to look only at the things that appear in the financial statements, but also to look at other things such as the existence and continuity of the entity because all activities or transactions that have occurred and will occur are implicitly contained in the financial reports. Therefore the auditor must carefully consider any disruption to *the going concern of*

an entity for a period, so that the resulting opinion becomes qualified as the main product of a public accountant.

Going concern is the survival of a business entity. *Going concern* is the survival of a business entity and is an assumption in the financial reporting of an entity so that, if the entity experiences conditions otherwise the entity becomes problematic (Petronela, 2004). *Going concern* is also known as continuity accounting which predicts a business will continue indefinitely (Syahrul, 2000). *The going concern* assumption means that a business entity is considered to be able to maintain its business activities in the long term and will not be liquidated in the short term (Hany *et al.* 2003).

Going concern means that a business entity is considered to be able to maintain its business activities in the long term and will not be liquidated in the short term. The auditor must be responsible for *the going concern* issued, because it will affect the decisions of users of financial statements. *Going concern* issued by the auditor to ascertain whether the company can maintain its viability.

Going concern is very useful for users of financial statements to make the right decisions in investing, because when an investor is going to make an investment, he needs to know the company's financial condition, especially regarding the survival of the company. Users of financial statements feel that this *going concern* is a prediction of the bankruptcy of a company. Business continuity is always associated with management's ability to manage the company in order to survive in global competition.

The auditor may identify information about certain conditions or events which, when considered as a whole, raises substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. Examples of conditions and events that may raise the auditor's doubts are as follows:

1. Negative trends, such as repeated operating losses, lack of working capital, negative cash flow, and poor key financial ratios.
2. Other indications of possible financial difficulties, for example failure to fulfill its obligations or similar agreements, arrears in payment of dividends, and the sale of most assets.
3. Internal problems, eg labor strikes, are highly dependent on the success of a project.
4. External issues, such as lawsuits, passing of laws that threaten the existence of the company, loss of important *franchises*, licenses or patents, uninsured disasters, and loss of key customers or suppliers

going concern opinions encourages researchers to identify the factors that influence giving this opinion. The factors tested include company growth, audit quality, company size, previous year's audit opinion, and leverage.

Based on the description above, the researcher took the research title "The Influence of Company Growth, Company Size, Audit Quality, Previous Year's Audit Opinion, and Leverage on Acceptance of *Going Concern Audit Opinion* in Banking Companies Registered on the IDX".

METHOD

This research is in the form of quantitative descriptive research, namely research that reveals the size or magnitude of an influence or relationship between variables expressed in numbers, by collecting data which is a supporting factor for the influence between the variables concerned and then trying to analyze it using analytical tools which corresponds to the variables in the study. This research is useful to determine the factors that influence the acceptance of *going concern audit opinions*, such as company growth, company size, audit quality, previous year's audit opinion, and *leverage*.

The data collected in the research and processed, then analyzed with statistical tools, namely descriptive statistics. Descriptive statistical tests are used to provide an overview of

the sample data profile. Descriptive statistics are also useful for describing the variables in this study, which will provide an overview of each research variable.

Researchers use descriptive statistics consisting of average, maximum value and minimum value. The data studied will be grouped based on the audit opinion received into two categories, namely *auditees receiving going concern audit opinions* (GCAO) and *auditees receiving non going concern audit opinions* (NGCAO) (Ramadhany, 2004).

Hypothesis testing was carried out by multivariate analysis using logistic *regression* . Logistic regression is a special form of regression analysis with the dependent variable being categorical and the independent variable being categorical and a combination of *metric* and *non-metric* (nominal).

This logistic regression is used to test whether the probability of occurrence of the dependent variable can be predicted with the independent variable. In this study, logistic regression was used to examine the effect of firm growth, audit quality, previous year's audit opinion, and leverage. This analysis technique no longer requires normality tests and classical assumption tests on the independent variables (Ghozali, 2005). Gujarati (2003) states that logistic regression ignores *heteroscedasticity* , meaning that the dependent variable does not require *homoscedasticity* for each of its independent variables. Logistic regression analysis was performed using the help of the *Statistical Package for Social Science* (SPSS) 16.0 for Windows program .

RESULTS AND DISCUSSION

Results

Data Description

In this study, the object of research is a banking company listed on the Indonesia Stock Exchange (IDX). Banking companies listed on the Indonesia Stock Exchange from 2011 – 2013 were then selected according to predetermined criteria so that there were 30 companies.

Table 1. List of sample companies

N0	Company Code	Company Code
1	AGRO	Bank Rakyat Indonesia Agroniaga
2	INPC	Bank Arthagraha
3	BBCA	Bank BCA
4	BBNI	Bank BNI
5	BTPN	BTPN bank
6	BBKP	Bank Bukopin
7	BNBA	Artha Earth Bank
8	READ	Bank Capital Indonesia
9	BNGA	CIMB Niaga Bank
10	BDMN	Bank Danamon Indonesia
11	BSWD	Bank of India Indonesia
12	BCIC	Bank J Trust Indonesia
13	BJTM	West Java and Banten Banks
14	BMRI	Mandiri Bank
15	MAYA	Bank Mayapada International
16	bnii	Bank Maybank Indonesia
17	MEGA	Megabank
18	BABP	MNC Banks
19	NISP	NISP bank
20	BBNP	Archipelago Parahyangan Bank
21	PNBS	Pan Indonesian Bank
22	BNLI	Gem Bank
23	BEKS	Indonesian Pundi Bank
24	BKSW	Bank QNB Kesawan
25	BBRI	Bank Rakyat Indonesia
26	BSIM	Sinarmas Bank

27	BBTN	State Savings Bank
28	BVIC	Victoria Bank
29	MCOR	Windu Kentjana International Bank
30	SDRA	Woori Bank

Descriptive Data Analysis

Descriptive statistics provide an overview or description of a data seen from the average value (mean), standard deviation, minimum, maximum, and variance (Ghozali; 2005). The following table presents the results of descriptive statistics for the independent variables in the following research.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
OAGC	90	.00	1.00	.4556	.50081
Company Growth	90	-156.59	4.12	-1.6842	16.57617
Company Size	90	12.91	20.41	17.3350	1.69409
Audit Quality	90	.00	1.00	.6889	.46554
Audit Opinion year Previously	90	.00	1.00	.6444	.48136
leverage	90	.66	1.25	.9084	.08727
Valid N (listwise)	90				

Based on the table it can be explained as follows:

1. *going concern* audit opinion variable shows a mean of 0.4556 which is less than 0.5 which means that the audit opinion with code 1, namely *going concern audit opinion* appears in fewer than the 90 samples studied. The *going concern* audit opinion appeared 41 times out of the 90 samples studied
2. The company growth variable shows a mean of -1.6482 with a minimum value of -156.59 and a maximum value of 4.12 with a standard deviation of 16.57617.
3. The firm size variable shows a mean of 17.3350 with a minimum value of 12.91 and a maximum value of 20.41 with a standard deviation of 1.69409.
4. The audit quality variable shows a mean of 0.6889 which is greater than 0.5 which means that audit quality with code 1, namely KAPs affiliated with the *Big Four*, appears more than the 90 samples studied. KAPs affiliated with *the Big Four* appeared 62 times, while KAPs that were not affiliated with *the Big Four* appeared 28 times out of the 90 samples studied.
5. The previous year's audit opinion variable showed a mean of 0.6444 which was greater than 0.5 which means that the previous year's audit opinion with code 1, namely *going concern* audit opinion appeared more than the 90 samples studied. *The going concern* audit opinion appeared 58 times, while the non *going concern audit opinion* appeared 32 times out of the 90 samples studied.
6. *leverage* variable shows a mean of 0.9084 with a minimum value of 0.66 and a maximum value of 1.25 with a standard deviation of 0.08727.

Hypothesis Test

Hypothesis testing in this study was carried out using the logistic regression method. Logistic regression is used to test whether the probability of occurrence of the dependent variable can be tested with the independent variable (Ghozali, 2005). The logistic regression analysis technique does not require the assumption of normality of the data on the independent variables, and ignores heteroscedasticity.

1. Assessing Regression Model Feasibility

Hosmer and Lemeshow goodness of fit test was used which was output from the SPSS data processing results. If the probability value (sig) > 0.05 then the model can be

declared feasible and meets the *Goodness of fit assumption*. This test is needed to ensure that there are no weaknesses in the conclusions obtained from the data. Based on the results of the Hosmer and Lemeshow test, the statistical value obtained was 1.917 with a significance value of $0.983 > 0.05$. Thus it can be concluded that the model can predict the observed value, or it can be said that the model is acceptable because it matches the observation data.

Table 3. Hosmer and Lemeshow Test

step	Chi-square	df	Sig.
1	1917	8	.983

2. Assessing the Overall Model (*overall model fit*)

According to Ghazali (2005), the chi square test for the entire model of the data can be done by comparing the value between *-2log likelihood* at the beginning (result of Block number 0) with the value of *-2log likelihood* at the end (result of Block number1). If there is a decrease, it shows that the regression model shows a good regression value.

-2log likelihood value (Block number 0) is 124.054 and after the independent variable is included, the *-2log likelihood* value decreases to 88.082. This *-2log likelihood* decrease indicates a good regression model, or in other words the model is hypothesized to be fit with the data.

Table 4. Overall model fit

Iterations		-2 log likelihoods	Coefficients					
			Constant	pert Company	Size Company	Quality audits	Opinion AuditYear Before	leverage
	1	90,557	-1,925	0.002	0.021	-0.085	2.42	-0.125
	2	88,355	-2,661	0.005	0.029	-0.116	3,111	-0.177
Step 1	3	88.14	-2,912	0.011	0.03	-0.122	3,348	-0.18
	4	88.102	-2,945	0.021	0.03	-0.123	3,376	-0.171
	5	88,082	-2,953	0.034	0.03	-0.124	3,377	-0.159

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihoods: 124,054

d. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

3. The coefficient of determination (*Nagelkerke R. Square*)

The magnitude of the coefficient of determination in the logistic regression model is indicated by the *Nagelkerke R square value* . Based on the test results, the *Nagelkerke R square* value obtained is 0.441, which means that the variability of the dependent variable which can be explained by the independent variable is 44.1%, while the remaining 88.07% is the variability of the dependent variable which can be explained by other variables outside the model tested in this study.

Table 5. Nagelkerke R. Square

step	-2 log likelihoods	Cox & Snell R Square	Nagelkerke R Square
1	88.077a	.330	.441

a. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.

4. Classification Table

The classification table shows the predictive power of the regression model to predict the likelihood of the dependent variable occurring. The predictive power of the

regression model to predict the likelihood of the dependent variable occurring is expressed in percent.

going concern audit opinions, it is predicted that there are 30 companies that will receive non *going concern audit opinions* with an accuracy rate of 61.2%. While the predictions from the regression model of the possibility that companies will receive a *going concern* audit opinion are 39 companies out of 41 companies which are predicted with a percentage rate of 95.1%. Overall, of the 90 sample companies, there are 69 (30+32) sample companies which are predicted according to their observations with an accuracy rate of 76.7%. It can be concluded that the regression model has a fairly high level of accuracy in predicting acceptance of *going concern audit opinions* in banking companies listed on the IDX.

Table 6. Classification Table ^a

		predicted		Percentage e Correct
		OAGC		
Observed		Non Going Concern Audit Opinion	Going Concern Audit Opinion	
Step 1	Non Going Audit Opinion	30	19	61.2
	OAGC Going Concern Audit Opinion	2	39	95.1
	Overall Percentage			76.7

a. The cut value is .500

5. Formed Logistic Regression Model and Hypothesis Testing

Parameter estimation of the model can be seen in the *Variable in the Equation output*. Output *Variable in the Equation* shows the value of the regression coefficient and its significance level. Testing the hypothesis in this study is a one-sided test that is carried out by comparing the significance level (sig) with the error rate (α) = 5%. If $\text{sig} < \alpha$, it can be said that the independent variable has a significant effect on the dependent variable.

This equation can be explained as follows:

- The a value of -2.959 means that if there is no influence from company growth, company size, audit quality, the previous year's audit opinion, and *leverage*, the company tends not to accept *going concern* audit opinions.
- The value of β_1 is 0.045, meaning that the higher the company's growth rate, the company will receive a *going concern audit opinion*.
- The value of β_3 is 0.03, meaning that the higher the size of the company, the company will receive a *going concern audit opinion*.
- The value of β_4 is -0.126, meaning that if the company uses a KAP other than Big 4 KAP, the company will receive a *going concern audit opinion*.
- The β_5 value is 3.378, meaning that if the company received the previous year's audit opinion, the company will receive a *going concern audit opinion*.
- The β_6 value of -0.148 means that the lower the level of *leverage* the company will receive a *going concern audit opinion*.

Discussion

The Effect of Company Growth on Giving *Going Concern Audit Opinions*

The results of testing the first hypothesis show that the company's growth variable has no effect on giving *going-concern audit opinions* to banking companies listed on the IDX in 2011-2013 with a significance value of 0.785 where the value is more than $\alpha = 0.05$ (0.000 < 0, 05).

The results of this research are in line with the research of Setyarno et al. (2006) which shows that company growth has no significant effect on *going concern audit opinion*. The company's growth, which is proxied by profit growth, has no effect on giving a *going-concern audit opinion* because companies that experience positive profit growth also get a going-concern audit opinion. This means that the auditor does not consider the company's growth in providing a *going concern audit opinion*.

The Influence of Company Size on Providing Going Concern Audit Opinions

The results of the second hypothesis test show that the variable company size has no effect on giving *going-concern audit opinions* to banking companies listed on the IDX in 2011-2013 with a significance value of 0.865 where the value is more than $\alpha = 0.05$ ($0.000 < 0, 05$).

The results of this study are in accordance with research conducted by Ramadhany (2004) who found evidence that company size has no significant effect on acceptance of *going concern audit opinions*.

The Influence of Audit Quality on Providing Going Concern Audit Opinions

The results of testing the first hypothesis show that the audit quality variable has no effect on giving *going-concern audit opinions* to banking companies listed on the IDX in 2011-2013 with a significance value of 0.843 where the value is more than $\alpha = 0.05$ ($0.000 < 0, 05$).

The results of this study are in accordance with the research conducted by Ramadhany (2004) who conducted a study entitled "Analysis of the factors influencing acceptance of *going concern audit opinions* in manufacturing companies experiencing *financial distress* on the Jakarta Stock Exchange. The results of his research found that audit quality had no significant effect on acceptance of *going concern audit opinions*.

The results of this study provide evidence that audit quality cannot be used as a factor that can influence a *going concern audit opinion*. This means that KAPs affiliated with the Big 4 KAPs or those not affiliated with the Big 4 KAPs both provide independent audit quality in issuing *going concern audit opinions*.

The Influence of the Previous Year's Audit Opinion on Giving Going Concern Audit Opinions

The results of the fourth hypothesis test show that the previous year's audit opinion variable has an effect on giving *going-concern audit opinions* to banking companies listed on the IDX in 2011-2013 with a significance value of 0.00 where the value is smaller than $\alpha = 0.05$ ($0.000 < 0.05$).

This means that companies that received a *going concern audit opinion* in the previous year had financial problems that raised doubts in maintaining their business, because usually it takes a long time to improve a company's performance, so that the possibility is greater to receive a *going concern audit opinion* in the current year.

The Effect of Leverage on Giving Going Concern Audit Opinions

The results of testing the first hypothesis show that the *leverage variable* has no effect on giving *going-concern audit opinions* to banking companies listed on the IDX in 2011-2013 with a significance value of 0.958 where the value is more than $\alpha = 0.05$ ($0.000 < 0.05$).

The results of this study are consistent with the results of research conducted by Januarti and Fitrianasari (2008) which state that the *leverage ratio* has no significant effect on *going concern opinion*.

This can happen because even though the company has high leverage , it has good debt management planning and is able to manage assets efficiently and is able to present reasonable financial reports.

CONCLUSION

Based on the analysis and discussion, it can be concluded that the previous year's audit opinion has an effect on the acceptance of going concern audit opinions in banking companies listed on the IDX during the period 2011 to 2013. Meanwhile, company growth, company size, auditor quality, and leverage have no effect on the acceptance of going concern audit opinions in banking companies listed on the IDX during the period from 2011 to 2013.

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